

Panel Summary: Regulatory framework for desert energy projects in MENA

Moderator: Michael Bock, Ambassador of Germany to Egypt

Panelists:

- Prof. Adel Khalil, Chair of Executive Committee, Regional Centre for Renewable Energies and Energy Efficiency (RCREEE)
- Lakhdar Benmazouz, Director of New and renewable Energy and Energy Conservation, Algerian Ministry of Energy and Mining
- Dr. Hassan Rakha, Advisor for PV activities, New and Renewable Energy Authority (NREA), Egypt
- Obaid Amrane, Board Member, Moroccan Agency for Solar Energy (Masen)

Summary of presentations:

- RCREEE has the ambition to become the leading regional policy think-tank in renewable energies and energy efficiency, also in the field of providing advice for regulatory improvements for the creation of a sustainable renewable energy market in MENA. Last year, RCREEE has published a study on the Impact Assessment of National Policies and Regulations (2010) for RE, followed by an analysis of "RE Feed-In Tariff-Design Options" (Q4, 2011).
- Mr. Benmazouz presented the ambitious Algerian Renewable Energy Strategy, pointing out that by 2030, 40% of national production shall come from renewable sources. The cost of investment amounts to 60 billion USD. The role of the government is to support these investments and subsidize operating costs. There are three renewable build up phases: 2011-2013: testing; 2014-2015: deployment of the renewable electricity program and construction equipment; beyond 2016-2020: large-scale deployment. To speed up the process the following measures are taken by the Algerian Government: creation of an Algerian Institute of Renewable Energy and Energy Efficiency "IAER", development of a "National Renewable Energy Fund". Mr. Rakha pointed out that in order to satisfy 20% of the generated electricity by renewable energies by 2020 - as foreseen in the Egyptian Renewable Energy Strategy - a new electricity law has been developed by the Ministry of Electricity & Energy, now subject to the constitutional approvals. The law has been designed to reflect the ongoing market reform as well as to strengthen the local regulatory agency. It also includes articles supporting renewable energies, through encouraging private investments. In order to increase wind energy contribution, two phases have been defined: Phase 1: Competitive Bids approach through issuing tenders internationally

while requesting private sector to supply power from wind energy projects for a period of five years. Phase 2: A feed-in-tariff system will be applied taking into consideration the prices achieved in phase 1.

- Mr. Amrane presented the Moroccan Solar Plan of 2000MW by 2020 and underlined that Morocco has already put in place comprehensive measures in favor of private investors, in order to encourage the emergence of a competitive local industry and attract foreign investors

Main regulatory challenges / success factors

- All panelists point to the importance of socioeconomic contribution and underlined the significant role of Dii in that context; collaboration among public, private and research institutions should be aligned.
- Regulatory measures to foster the cost degression of technologies, especially for concentrated solar power (CSP) as it is still one of the most expensive technologies, should be speedily implemented by the European Union and its member states.
- Specifically, Art 9 of the EU directive on renewable energy shall be timely implemented. The idea to include the export of gas to Europe and to get a premium to foster renewable build up was underlined, especially by the representatives of Egypt and Algeria that do not have a direct electricity connection to Europe yet.
- Dii can help to implement the presented ambitious national renewable energy strategies, support the creation of conducive regulatory measures to foster the development of renewable energy for MENA and the EU. However, all participants agree that Art 9 can only be a preliminary step in order to create a functioning renewable market and attract investment while the best regulatory measures by far would be feed-in-tariffs.

Panel Summary: EU regulatory support to desert power

Moderator: Mr. Stephan Auer, Deputy Director General, German Federal Foreign Office

Panelists:

- **Ms. Angelika Niebler**, MEP and Member of Committee on Industry, Research and Energy (ITRE)
- **Mr. Philippe Lorec**, Deputy Director General for Energy and Climate in the French Ministry of Ecology, Energy and Sustainable Development
- **Mr. Hans-Josef Fell**, Member of German Parliament and Energy Policy Speaker of the Green Party
- **Mr. José Luis Mata**, Head of Regulatory Affairs and Studies Department, Red Eléctrica de España

The European Union and its Member States have a decisive role in the promotion of desert power. Recent policy developments at EU level, in part triggered by the events in North Africa, have reinforced the importance of desert power from an external energy policy and from a development support perspective. The aim of this panel was to provide an overview of the main challenges faced by desert power from the perspective of Member States and the EU as well as to discuss the way forward from initial reference projects to the development of a new self-sustaining market for renewable energy in the MENA region.

Ms. Niebler initiated the discussion by reinforcing the need for full political support to Dii's projects, indicating as the best way forward a regional partnership reached amongst Member States and North African states on an equal footing. Existing regulation should be adapted in order to approximate the EU's and neighbouring countries' regulations leading towards a further integration of energy markets. Art 9 of the Renewable Energy Directive is the first step towards the extension of the geographical scope of EU energy policy. Ms. Niebler called for Member States to implement this article into their national law. Regarding financial support the EU has already sent a strong signal by establishing the Connecting Europe facility and by identifying the North-South electricity interconnection as an infrastructure priority. The EIB should play a major role in supporting specific projects.

Mr. Philippe Lorec, building on the experience of France's first pilot project for export located in Morocco, presented the main challenges faced by Member States' governments to implement initial reference projects for cross border exchange of renewable energy. The need for strong financial support was identified as one of the main hurdles. In order to advance towards a self sustaining renewable energy market in MENA countries, Mr. Lorec emphasized the importance of using common platforms to gather the different actors

involved, for instance the Union for the Mediterranean, and to adopt innovative financial tools specially tailored for desert power projects. The creation of a market for green electrons in each side of the Mediterranean and the implementation of a portfolio of medium size emblematic projects were presented as key success factors to advance towards grid parity within a relatively short timeframe.

The framework to provide the financial support currently required was the main topic of discussion of Mr. Fell. Feed-in Tariffs (FiT) have proven to be the best support mechanism to close the financial gap of renewable energy projects and thus, are the most adequate tool to promote the development desert power. A harmonized approach at EU level was presented as the most adequate option. However, given that this option has so far failed to be adopted, a support scheme provided by Member States should also be taken into consideration. In this regard, Mr. Fell argued the possibility to open up national FiT to projects in Northern Africa. Giving the example of Italy that has recently approved a FiT for hydro projects in Serbia, Mr. Fell concluded that opening up national support schemes is the most suitable option and it is certainly possible.

Moving from policy to infrastructure requirements, Mr. Mata argued that grid infrastructure and grid regulation are key factors to ensure the viability of renewable energy projects in North Africa. Art 9 implementation entails several challenges concerning transmission regulation such as the need for transparent accounting criteria for renewable energy imports and the potential conflict between priority dispatch within the EU and Art 9 imports. Being Spain the country of import of initial projects, Mr. Mata presented the technical constraints currently faced by this country. The solution to such constraints would be an upgrade of the interconnection with France as well as the reinforcement of the Spanish transmission network would be required. In order to ensure that grid development takes place, the regulatory framework should provide the right incentives for investment, for instance by establishing a stable remuneration model for transmission and an ex-ante cost allocation model for new transmission infrastructures.

Mr. Auer closed the panel by giving a very comprehensive overview of the discussion. Desert power projects promoted by Dii currently enjoy wide political support at EU and national level. Member States and EU institutions should join efforts together with Northern African governments to make the first series of reference projects happen. Art 9 is a first step for the implementation of projects in North Africa. Additionally, certain regulatory changes as well as infrastructure development need to be in place to ensure the viability of these initial projects and to allow the transition towards the development of a market for renewable energy in the MENA region in the future.